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# Effective Implementation of Targeted Financial Sanctions in Zambia

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May 20, 2021

*Webinar Report*

**Fintelekt**<sup>®</sup>



**Fintelekt Advisory Services and the Financial Intelligence Centre (FIC) Zambia organized a joint webinar on the Effective Implementation of Targeted Financial Sanctions in Zambia.**

The webinar formed part of the Financial Intelligence Centre's outreach programme specifically designed to enable competent authorities and reporting entities i.e. Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) to better understand their Anti-Money Laundering/ Countering the Financing of Terrorism and Proliferation (AML/CTPF) obligations around the Implementation of Targeted Financial Sanctions (TFS).



# WEBINAR AT A GLANCE

## SPEAKERS



**SHIRISH PATHAK**  
Managing Director  
Fintelekt Advisory Services



**DIPHAT TEMBO**  
Director – Compliance and Prevention  
Department, Financial Intelligence  
Centre, Zambia

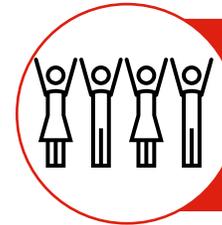


**NICHOLAS TURNER**  
Of Counsel, Steptoe &  
Johnson LLP



**BRENT ESTRELLA**  
Group Head & Chief Compliance  
Officer, Rizal Commercial Banking  
Corporation

## PARTICIPANTS



Over 250 registered participants



Over 100 institutions across  
private & public sectors  
represented



Over 30 per cent of the  
participants were CxOs / Directors  
/ Heads of Departments

# PARTICIPATING INSTITUTIONS

AB & David  
AB Bank  
Access Bank  
Advantage Insurance  
Africa Pride Insurance  
Agora Microfinance  
Airtel Mobile Commerce  
Airtel Networks  
ALS Capital Limited  
Altus Financial Services  
ASA Microfinance Zambia  
Atlas Mara  
Axa Insurance Brokers Limited  
Bank of Zambia  
Bayport Financial Services  
Betternow Finance  
Cactus Money Transfers  
Cellulant Zambia

cGrate Zambia  
Chibesakunda and Co  
Chikonde Legal Practitioners  
Citizens Economic Empowerment Commission  
ContractSure Services  
Corpus Legal Practitioners  
Dana Holdings Limited  
Digital PayGo  
Dynamic Insurance Brokers Zambia  
EHS Zambia  
Elpe Finance  
Enterpreneurs Financial Centers  
Financial Intelligence Centre Zambia  
First Alliance Bank  
First Capital Bank  
FMC Finance Zambia  
FSD Zambia  
General Alliance Insurance Zambia  
Golden Lotus Insurance Company

Hokma Risk  
HSA Chartered Accountants  
Indo Zambia Bank  
Investrust Bank PLC  
Isaac and Partners  
Izwe Loans  
James & Doris Legal Practitioners  
Jumo  
Kabweandco  
Kafubu Water and Sanitation Co. Ltd  
Kazang Zambia  
Klapton Reinsurance  
Law Association of Zambia  
Liberty Life Insurance Zambia Limited  
LOLC Finance Zambia Limited  
Madison Finance Company Limited  
Madison General Insurance Company  
Zambia Limited  
Madison Life Insurance Zambia

# PARTICIPATING INSTITUTIONS

Messrs Kalokoni and Co  
Micro Finance Zambia  
Mobile Money Agents Association  
Mosha and Co  
MTN Zambia  
Mukuru Financial Services  
Mulungushi University  
Musa Dudhia and Co  
MyPay Financial Solutions  
National Prosecution Authority  
National Savings and credit bank  
NATSAVE  
NCM Legal Practitioners  
Netone Group  
Nganga Yalenga And Associates  
NICO Insurance  
NORWICH  
Pangaea Securities

Paul Norah Advocates  
Pay Now Zambia  
Payments Association of Zambia  
Pensions and Insurance Authority  
Phoenix of Zambia Assurance Company  
Postnet Zambia  
ProBASE  
Prudential Life Assurance Zambia  
Prudential Zambia  
Sanctions SOS  
Sanlam Zambia  
Spruceland Technologies Group  
Stanbic Bank  
Standard Chartered Bank  
Suba, Tafeni & Associates  
Swan General Insurance Company  
TMB Advocates  
Total Zambia

Turtle Insurance Brokers  
UBA ZAMBIA  
Unifi Credit ZM  
Unimoni Services Limited  
Virtual Space  
VisionFund Zambia  
White Falcon  
Xtenda Finance  
Zambia Industrial Commercial Bank  
Zambia National Building Society  
Zambia Postal Services Corporation  
Zambian Home Loans  
Zamchi Insurance Brokers  
Zamtel  
Zep-Re (PTA Reinsurance Co.)  
Zoonza Zambia  
ZSIC General Insurance  
Zynle Technologies

# KEY TAKEAWAYS FROM THE WEBINAR

## Guidelines

Guidelines around Targeted Financial Sanctions (TFS) have been issued by the National Anti-Terrorism Centre (NATC), in conjunction with the Financial Intelligence Centre (FIC) Zambia. The guidelines apply to all reporting entities in Zambia.

## Requirements

The guidelines call for Financial Institutions (FIs) and Designated Non-Financial Businesses and Professions (DNFBPs) to have adequate policies and procedures, systems and controls in place, identify the existing accounts, transactions, funds or other assets of designated persons and entities; immediately freeze any identified funds or other assets held or controlled by designated persons and entities and prevent them from conducting transactions with, in or through them.

## Screening

FIs and DNFBPs should put in place a robust sanctions screening programme that takes into consideration various elements such as local and international regulations, availability and quality of data, screening systems and procedures, internal controls and staff training towards the comprehensive execution of TFS requirements.

## Risk-Based Approach

A risk-based approach to screening is recommended for all FIs and DNFBPs, based on a comprehensive assessment of risks related to money laundering, terrorism financing and proliferation of weapons of mass destruction. Higher risk customers should be identified, and maximum resource allocation should be made to deal with the highest areas of risk in terms of TFS.

## Best Practices

The implementation of TFS is a requirement across the world. Hence there are valuable lessons to be learnt from the experiences of other countries in terms of steps taken by their regulators, challenges faced by reporting entities and co-operation required from industry stakeholders.

## Shirish Pathak

Managing Director, Fintelekt Advisory Services



Fintelekt Advisory Services is a research, training and advisory company focused on AML/CFT/FCC. We started working in this area around 16 years back i.e. in 2005, and since then our work has impacted banks, regulators, FIUs and other reporting entities, not just in India but across over 35 countries globally. To democratise access to AML CFT training, we have also recently launched [Fintelekt Academy](#), which provides on-demand access to more than a 100 educational videos on AML/CFT.

My sincere thanks to Diphat Tembo, Director - Compliance and Prevention Department, Financial Intelligence Centre, Zambia and his entire team for supporting this webinar on such an important topic and inviting a large number of reporting entities and regulatory organisations from Zambia to participate.

In order to comply with and effectively implement the domestic regulations around targeted financial sanctions, as well as help the country to stay compliant with international standards, reporting entities in Zambia must stay current on financial sanctions and be able to understand the impact of these sanctions to their present compliance program.

The objective of today's session is to bring about more awareness and knowledge about targeted financial sanctions, so that all stakeholders can enhance their knowledge to successfully implement these measures. This session will also provide an opportunity for questions from the participants to the FIC, so I would encourage each of you to take advantage of this opportunity.

## Diphat Tembo

Director – Compliance and Prevention  
Department, Financial Intelligence Centre,  
Zambia



## What are Targeted Financial Sanctions?

Targeted Financial Sanctions, imposed by the United Nations (UN), are designed to focus on groups of persons responsible for the breaches of peace or threats to international peace and security. These requirements have been made mandatory by the Financial Action Task Force (FATF). Jurisdictions are required to implement TFS regimes to comply with the United Nations Security Council Resolutions (UNSCR) relating to the prevention and suppression of terrorism and terrorist financing as well as the prevention, suppression and disruption of proliferation of Weapon of Mass Destruction (WMD) and its financing.

The measures that are supposed to be implemented by countries according to the UNSCRs include asset freeze, travel ban and arms embargo in respect of individuals designated by the UN Sanctions Committee (UNSC). In addition, the resolutions provide for procedures for the listing and de-listing of individuals, access to funds for basic and extraordinary expenses, protection of rights of third parties, amongst other issues.

TFS related to the proliferation of WMD is an international standard introduced by FATF under the FATF 40 Recommendations published in February 2012. Under this standard, countries are required to implement targeted financial sanctions without delay to comply with UNSCR relating to the prevention, suppression, and disruption of the proliferation of weapons of mass destruction and its financing. The UNSC has imposed sanctions on individuals and entities involved in the proliferation of WMD activities through the Resolutions 2231 (2015) relating to the Islamic Republic of Iran; and Resolution 1718 (2006), 1874 (2009), 2087 (2013), 2094 (2013) and 2270 (2016) and their successors, relating to the Democratic People's Republic of Korea (DPRK).

## Diphat Tembo

Director – Compliance and Prevention  
Department, Financial Intelligence Centre,  
Zambia

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*Please reach out to the FIC for training. We can provide focused training and resources for any topic within AML/CFT at no cost whatsoever – whether it is on risk assessments, setting up AML/CFT frameworks, implementation of standards, or others.*

”

## Targeted Financial Sanctions in Zambia

As a Member of the United Nations and Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG), Zambia is committed to protecting its financial services sector from abuse. To this end, the country has given effect to the sanctions regime under the UNSCRs as well as the FATF Recommendations 6 and 7 through the enactment of the Anti-Terrorism and Non-Proliferation Act, No. 6 of 2018 and Anti-Terrorism (United Nations Resolutions Implementation) Regulations, 2017.

The implementation of the sanction lists is enforced by the National Anti-Terrorism Centre (NATC) which has the mandate to implement the Regulations by managing the listing and de-listing of designated persons or entities and facilitating the receipt and dissemination of the sanctions lists to the supervisory authorities and reporting entities.

The NATC has issued Guidelines on how to access and implement the Sanctions List to supervisory bodies, reporting entities and other stakeholders. Zambia has in the recent past (2019) collaborated with the UN Panel of Experts to strengthen the system to guard against North Korean entities and individuals operating in Zambia.

It is imperative for financial institutions and DNFBPs to have adequate policies and procedures, systems and controls in place to enable them to, amongst others, -

- identify the existing accounts, transactions, funds or other assets of designated persons and entities;
- immediately freeze any identified funds or other assets held or controlled by designated persons and entities; and
- prevent designated persons and entities from conducting transactions with, in or through them.

**Nicholas Turner**

Of Counsel, Steptoe & Johnson LLP



## International Framework for TFS

FATF recommendations call on each country to perform a National Risk Assessment in which the risks pertaining to money laundering, terrorism financing and proliferation financing are evaluated. There is in addition, a periodic Mutual Evaluation Review (MER) process for every country which is carried out by the FATF or FATF-style regional bodies or FSRBs. For Zambia, the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is the FSRB and is responsible for performing the mutual evaluation. The recent MER by the ESAAMLG was a comprehensive report on the country's performance against the FATF recommendations.

In relation to Targeted Financial Sanctions, the important FATF recommendations are Recommendation 6 for **Targeted financial sanctions related to terrorism and terrorist financing** and Recommendation 7 for **Targeted financial sanctions related to proliferation**.

The international system for financial sanctions can be thought of as having four layers. It is a simple but universal framework that is reinforced through the FATF recommendations

1. The UNSC adopt sanctions in response to threats to international peace and security.
2. The sanctions committees, which are part of UNSC, help to identify targets of sanctions and assess the effectiveness of sanctions and member states' implementation of sanctions.
3. Country level governments, which are member states of the UN are responsible for implementing UN sanctions through national laws and regulations. In Zambia, the NATC disseminates the sanctions lists. The FIC also provides lists on its website and ensures the flow of information from the UNSC to the regulated entities.
4. Regulated persons or the individuals or entities regulated under domestic laws and regulations are further responsible for following TFS laws and regulations. FIs in Zambia have responsibility under local laws to screen against sanctions lists and freeze assets and economic resources that are tied to the targets of these sanctions.

Nicholas Turner

Of Counsel, Steptoe & Johnson LLP

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*Banks must identify beneficial owners of legal entity customers. While gathering and verifying beneficial ownership information, names should be put through the screening process and potential hits should be dispositioned by the bank staff.*

”

## Key Considerations for Financial Institutions

Financial institutions face a variety of challenges in trying to identify the targets of sanctions, freeze assets under control and also interdict and prevent transactions within the country or internationally which could breach the relevant sanctions.

Banks and financial institutions need to be aware of various elements pertaining to their screening programme:

**Regulatory:** Has the national government implemented the UN sanctions in accordance with the FATF recommendations 6 and 7?

**Internal controls:** Has the financial institution implemented the required screening and is it repeating the screening periodically?

**Data:** Does the FI have sufficient and quality data about the customer in order to identify whether the customer was sanctioned? While onboarding the customer did the bank follow the procedure and regulatory requirement to collect all the identifying information?

**Systems:** Have screening systems – whether manual or automated – been effectively designed and tested?

**Training / Resources:** Does the staff have the necessary knowledge and skills for correct and timely disposition of the hits after reviewing the information generated by the name screening process?

**Execution:** Has the FI identified all accounts of the sanctioned person, and did it block / hold / freeze the relevant accounts associated with the customer? Are all controls implemented in a comprehensive manner and executed thoroughly so that all the economic assets under the bank are subjected to the same level of control?

**Due diligence for legal entities:** Has the bank identified the beneficial owner of its legal entity customers, and run the names through the screening process? In cases where an intermediary is using the banks' correspondent account to transact, does the intermediary have adequate controls of its own and is the intermediary committed to compliance with relevant sanctions?

**Nicholas Turner**

Of Counsel, Steptoe & Johnson LLP

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*A sanctions programme has the same elements as in a strong AML compliance programme. Financial institutions can marry AML and sanctions compliance strategies together, and in many cases rely on the same systems and staff in order to make it more efficient for the institution.*

”

## Risk-based approach

Regulators typically encourage a “risk-based” approach to allocating compliance resources that takes into account customer types, supply-chains / counterparties, products and services and geographies

By identifying these elements and assessing the risks in these elements the institution should be able to identify where its greatest risks are and apply the highest level of controls to the areas of highest risks

## Resources and guidance documents

- On 2 May 2019, the US Treasury Department’s Office of Foreign Assets Control (OFAC) published its “Framework for OFAC Compliance Commitments” outlining the recommended features of a Sanctions Compliance Program for both US and non-US companies. The guidance provides useful information about what sanctions controls can look like and some of the pitfalls that companies fall into when they don’t have adequate compliance programmes.
- On 21 January 2019, the Wolfsberg Group published its updated “Guidance on Sanctions Screening” with recommendations for implementing risk-based sanctions screening as part of a risk-based financial crimes compliance programme. The recommendations in this document are common sense and focused on efficiency and effectiveness.

## Brent Estrella

Group Head & Chief Compliance Officer,  
Rizal Commercial Banking Corporation



## The Experience of the Philippines and Lessons Learnt

TFS is not new in the regulatory framework in the Philippines but the new guidance on TFS released by the Philippines Financial Intelligence Unit - the Anti-Money Laundering Council (AMLC) - leverages areas for improvement that will promote operational efficiency and effectiveness of controls in order to mitigate risks.

Changes brought on by the new guidance on TFS:

1. TFS to be incorporated as part of customer due diligence and inherent risk assessments.
2. More clarity in terms of how freezing of assets is to be done, including new rules of court on asset preservation, seizure and forfeiture.
3. Prescriptive guidelines on how much time FIs have before submission of reports and time available to temporarily freeze an account for a suspected match.
4. Not just banks and DNFBPs and NBFIs, but private persons are also required to prevent or prohibit transactions with sanctioned entities.
5. More guidance on suspicious transaction reports (STR) even for attempted transactions.

The guidance has led to operational challenges such as the need to enhance screening systems including the quality of data and feeds entering screening systems, the speed of disposition and decisioning to make a match. This is especially difficult in the case of real time payments, where assets are converted from one form into another in real time. Meeting the strict reporting requirement on when to submit and notify the FIU following a temporary freeze on a particular account or transaction is also challenging.

## Brent Estrella

Group Head & Chief Compliance Officer,  
Rizal Commercial Banking Corporation

“

*Setting out the regulatory expectation by the AMLC has been very helpful because it has given covered persons (reporting entities) clarity and visibility in terms of what is expected from them.*

”

## Support Provided by the AMLC

The AMLC has helped the industry to implement the guidance in many ways:

- By engaging industry practitioners on what needs to be done.
- By providing clarity and good visibility in terms of the regulatory expectation.
- Even during the pandemic, the AMLC has been active providing virtual training and events and has been accessible for bilateral discussions with industry associations.

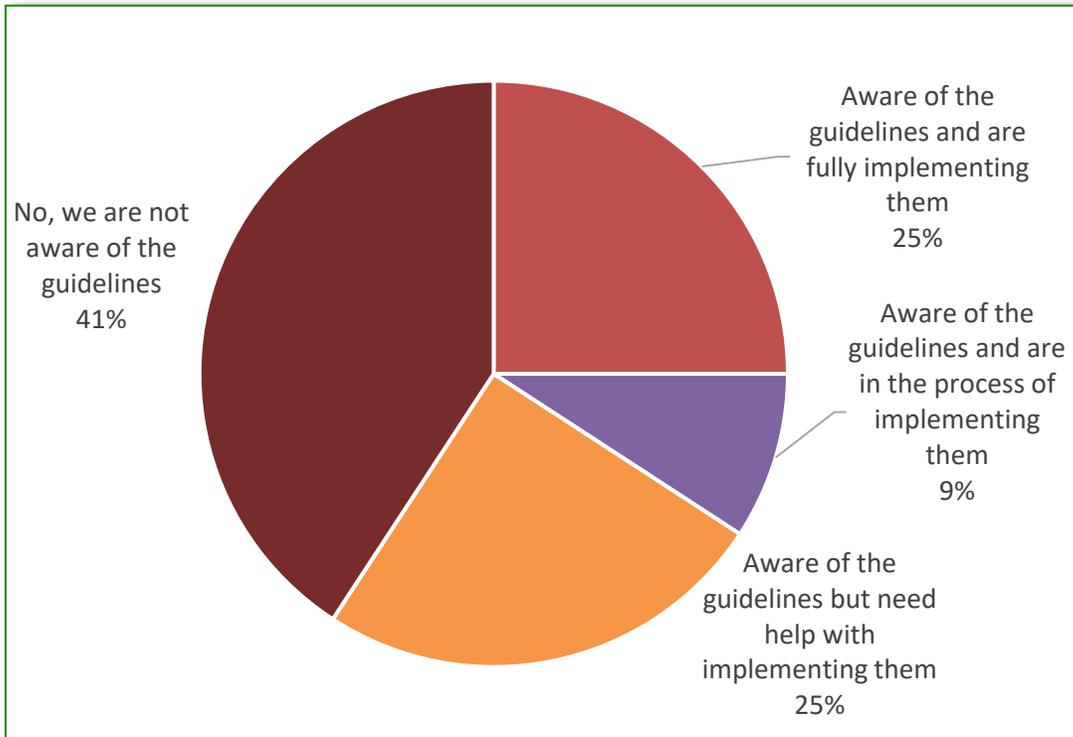
The banking and financial services industry has required support from other stakeholders such as screening service providers to understand requirements and local nuances and being open to work with the industry to implement the requirements.

They have also found support in the banking industry compliance association for organizing educational and awareness sessions, getting more people to participate and identify grey areas which may require more substantiation or clarification from the AMLC.

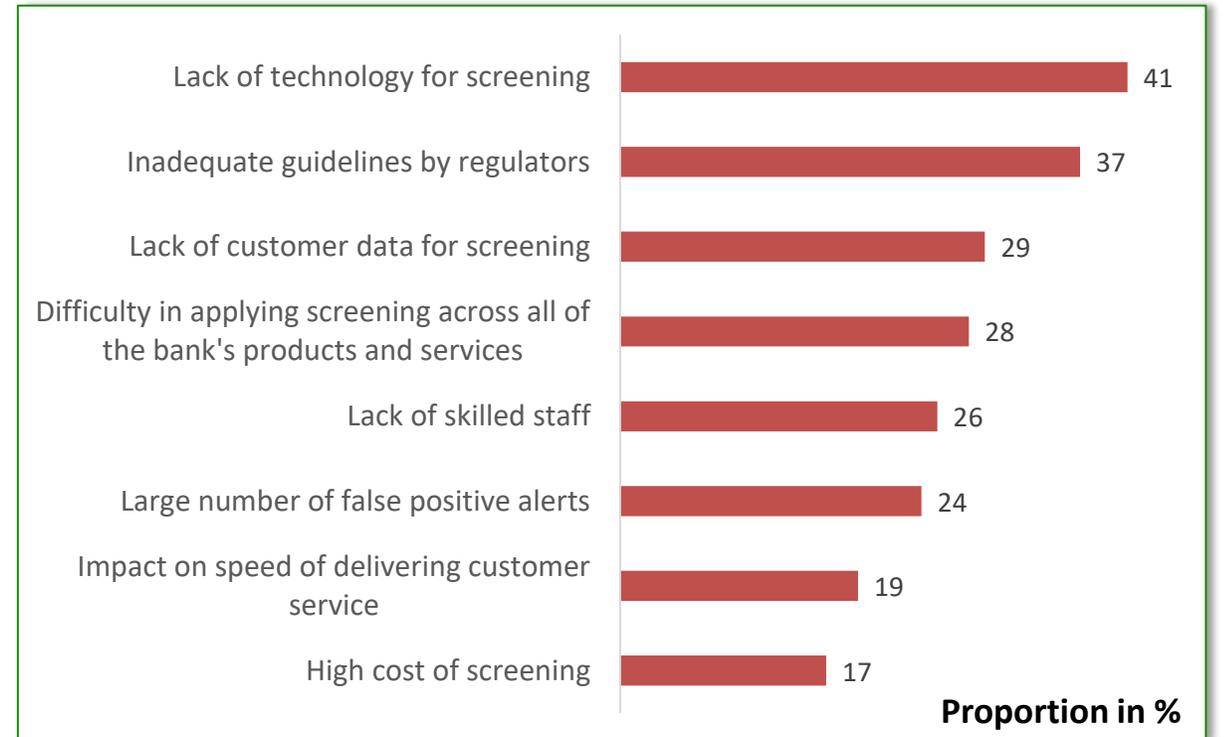
The RCBC group has entered into an information-sharing protocol agreement with the AMLC which is like a Public-Private Partnership facilitating free flow and exchange of information. Due to the arrangement, the AMLC is able to share information which otherwise is not readily available in the public domain and which makes it easier to discount matches and better investigate alerts. On the other hand, critically important feedback using the STR framework can be shared with the AMLC by RCBC.

# PARTICIPANT POLLS

Are you aware of the guidelines around TFS issued by the National Anti-Terrorism Centre Zambia?

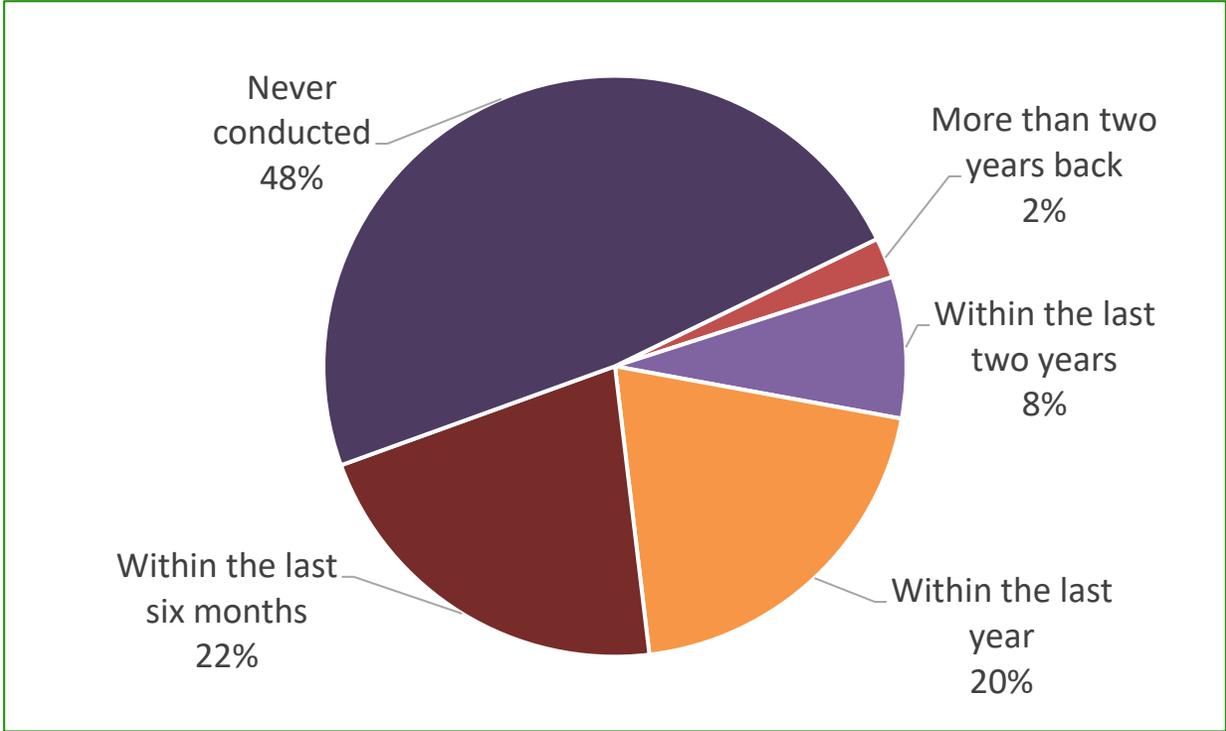


What are the most important sanctions screening challenges faced by your institution?



# PARTICIPANT POLLS

When did your organisation last conduct a comprehensive review of your sanctions screening controls and processes?



# SELECTED QUESTIONS FROM THE AUDIENCE

**How important is sanctions screening for a small financial institution whose business model targets local people? Should it be a requirement to screen all clients regardless of the type of clients?**

A risk-based approach is recommended to identify higher risk customers and transactions and focus on those. If there is an expectation for screening under local regulation, then those need to be followed.

**To what extent do the TFS guidelines apply to companies that offer short term insurance services?**

Guidelines issued by the National Anti-Terrorism Council along with the FIC Zambia are generic in nature and apply equally to all reporting entities and DNFBPs.

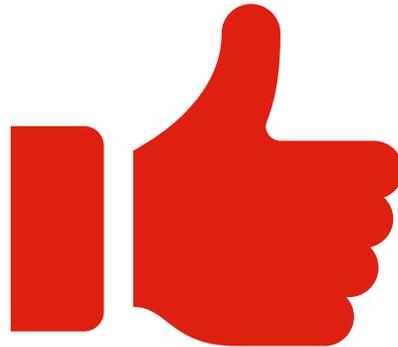
**Where can we get the national anti-terrorism center guidelines?**

The guidelines should be uploaded on the FIC website shortly.

**As important as the sanctions and systems are, with all in place and all things being equal, how do you balance sanctioning of individual / institutions who may be protected by say the state, other powerful individuals or entities? What general guidelines are available?**

It is very important to have an objective approach to screening. The institution must set a risk appetite and a threshold for risk tolerance as part of the overall policy and move forward accordingly.

# FEEDBACK & APPRECIATION



It was an amazing session - very informative and enriching

*Chilombo Dorothy Sapele, Unimoni Services*

It was good and we look forward for more such engagements

*Humphrey Bubala, Investrust Bank*

The training was loaded but still brief and its only a good team that is able to put up such a thing

*Isaac Kaulu, VisionFund Zambia*

It was very enlightening and hope to have more of such forums.

*Prudence Chimbukuma, MyPay Solutions*

Very appropriate, timely and insightful

*Hambula Sibukoko, Golden Lotus Insurance Company*

It would be nice to have deliberate quarterly sessions so that we are fully equipped.

*Rhoda Banda Banda, Micro Finance Zambia*

Our market needs more information and interaction on this.

*Chabala Lumbwe, Madison General Insurance Company*

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**Webinar recording available at**  
**<https://fintelekt.academy>**



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